

COMMITTEE ON LANDS AND BUILDINGS

January 7, 2003

6:15 PM

Chairman Thibault called the meeting to order.

The Clerk called the roll.

Present: Aldermen Thibault, Gatsas, Pinard, DeVries, Garrity

Messrs: R. Ludwig, R. Sherman, W. McCabe

TABLED ITEM

Discussion regarding construction of a new restaurant/lounge/clubhouse at Derryfield Country Club.

On motion of Alderman Gatsas, duly seconded by Alderman DeVries, it was voted to remove this item from the table.

Mr. Ludwig stated just to give you a little history on the Derryfield Country Club project, as you may or may not be aware several years ago our department was divided up into an Enterprise and a general fund department. The country club is a part of that Enterprise system. As a result of that, we took it upon ourselves to seek professional assistance and do a master plan that looked at the entire Derryfield complex, the 120 acres of the golf course, the building, the facility and the grounds – a report that we could effectively follow over a course of a few years given the fact that we were now going to be expected to bond our own projects for improvements at Derryfield. We really felt the need to do that professionally and lay out a plan for us to move forward, which was imperative to the process. In 2000 we hired a golf course architect and he came in and did that for us. In 1998 actually we did that. In 2002 we did our first set of on the golf course improvements. We completely redid two holes on the golf course and the seventh green. We also brought in a new irrigation pump house building on Mammoth Road as a first stage of the project. Last year as the second phase for improvements to the golf course on the bonded level at least we initiated the second phase of the irrigation improvements to the West Side of Mammoth Road, which included the installation of a double row irrigation system that now gets those holes watered tree line to tree line. It is a significant improvement to the golf course. Beyond that we began to look at the facility – the restaurant itself and the overall condition and what we found was, by visiting the old report, which was

a part of the golf course master plan report, there were several deficiencies with the building that were going to require substantial dollars to either repair and/or rectify at all. The report spoke to some remodeling of the building but effectively if you have an opportunity to look at that report you will quickly be able to tell that the cost to do those repairs was prohibitive and it really led us in a direction whereby we investigated the possibility of building a new facility instead of trying to repair the old one. We spent a lot of time going back and forth with the project but decided to put a presentation together. This was after a visit of the building by the Mayor and some other City officials at one point. It was decided that we should put some numbers together and make a presentation to the CIP Committee. We did that on July 23 actually. It was a Powerpoint presentation. I believe I provided that information to you. As a result of that meeting we were instructed from the CIP Committee to keep working on cost estimates to try and get the best numbers we could possibly get as it relates to construction and also at the same time continue working on the development of a new lease and/or management agree, which is what you see in front of you tonight. We solicited assistance from Finance, the Solicitor's Office, the Risk Manager and City Bond Council who is sitting to my left by the way from Ropes & Gray, Walter McCabe. There has been a whole team of individuals working on trying to develop the lease. It is a completely new lease. The old one would effectively be torn up or done away with and this one would come forward and address all of the issues going forward. Now the lease speaks to a 25-year agreement and I am going to let Randy and Walter speak to some of those issues. We did provide or actually Mr. McCabe did provide an executive summary in a condensed version to try and explain what we are trying to do here. I think it does do that but certainly I understand there will be several questions and I think we have people here, including the present lease holders to my rear, Mike Lanoie and Bill Laberge to answer any questions and assist this Committee in moving the project forward.

Chairman Thibault stated before we get into that you having been there as long as you have, you had prior to this some ideas as to what it may cost to bring this building up to code if you will or to make it palatable to the City. What was that cost? Do you have a ballpark figure?

Mr. Ludwig replied somewhere between...again the report was five years ago, but it was in excess of \$1.5 million at the time.

Chairman Thibault stated and that was five years ago and the codes have changed somewhat since then so we are probably talking \$1.5 to \$2 million now.

Mr. Ludwig replied probably in that vicinity and effectively when you look at the report we were still ending up with access to any kind of function facility that

makes sense today that would accommodate 200 people which you need upstairs in the facility which is difficult to access even with an elevator.

Chairman Thibault stated I just want the Committee to be aware of some of the things that you guys have done in the past.

Alderman Garrity asked, Randy, is this a 20-year bond for the City's commitment.

Mr. Sherman answered yes this would be a 20 year bond issue.

Alderman Garrity asked can you explain to me why there is no impact on the debt capacity for the City.

Mr. Sherman answered because it is all in the Enterprise fund. When we issue debt for Water, EPD, Airport and Parks & Recreation in this case it is outside of the general fund so it doesn't have an impact on our limits.

Alderman Garrity asked is it an impact on the tax rate.

Mr. Sherman answered only to the extent that...and we have talked about how we can avoid this, part of Parks administration is general fund so they will in essence have to be making some type of payment to Parks Enterprise, left pocket to the right pocket, to pay their share of the administration that is in there. We figured that was maybe \$30,000 to \$40,000 a year when you take the percentages between general fund and Enterprise, however, one of the suggestions that came out of the CIP Committee by I believe Alderman Gatsas was can we go out and try to do some naming rights or some advertising to try to offset the general fund portion of that. Until we get this lease done and we know what the building is and we start to move forward we really can't take any additional steps with regard to that. That is really what we are looking at at this point.

Alderman Garrity asked why can't you take the further steps regarding Alderman Gatsas' suggestion until a certain point.

Mr. Sherman answered you need to know what you are trying to sell, what you have for a facility and what you may have for advertising opportunities and those types of issues. I think once we start getting into the design phase we can proceed with that and if anything does transpire certainly it would be in place before the building and the construction are complete.

Alderman Garrity asked this doesn't qualify as a design phase or anything of that nature.

Mr. Sherman answered I am not sure that is ultimately where we are going to end up. I think that is the vision that they have right now. The City will go out and hire its own architect to come in and actually take a look at it. It may end up very close to that but we think we have ample time before there is an actual completed structure.

Alderman Garrity asked the architect and things of that nature does that come out of the Enterprise dollars or is that going to come out of the general fund.

Mr. Sherman answered it will come out of the bond sale. It will come out of the \$2.2 million.

Alderman Garrity asked what are the chances of these numbers changing and how much will they change once the design phase is complete. Let me ask this further question, if the numbers changed from \$2.4 million to \$2.8 million does this Committee and the Board have another vote on it?

Mr. Sherman answered yes. The way the deal is structured is your cap right now is \$2.2 million. If they anticipate once they have gone through the design phase and the bidding that they are going to exceed the \$2.2 million there is really a 30 day period for the parties to sit down and see how they can rectify that difference. They can either go in and try to value engineer some things out and try to bring the cost down or they can come back to the Board and ask for an additional allowance in the amount or it can fall back on the restaurant owners or managers. If the City and the restaurant managers can't come to a resolution on how it can be handled, the management has the right to walk away from the agreement but at that point you haven't really spent any money. You have gone through the design phase and then it is the City's choice if you want to proceed with a different management company or not proceed at all.

Alderman Garrity asked so you are saying that to get to the design phase we don't have to issue any bonds or anything like that. I thought you said earlier in the conversation that the money would be included in the bond.

Mr. Sherman replied the architectural fees, yes, will be paid out of the bonds so yes you will have incurred architectural fees by the time you know what the construction costs are you need the architectural drawings to go to bid.

Alderman Garrity asked so we don't have to bond anything for the design phase to know how much it is going to cost right. Is that what you are telling me?

Mr. Sherman answered when this lease goes through and it goes to the Board and goes back to CIP and everything that is the point when we will bring in the bond resolution.

Alderman Garrity asked and when the bond resolution comes in we will have an exact cost of the project.

Mr. Sherman answered you will not have the exact cost of the project because they cannot go out and hire an architect until the resolution is in place but what they will do is only spend the architect dollars and then issue the proposal for the construction. It is at that phase that you will know whether it is going to go over the \$2.2 million or not.

Alderman Garrity asked is there an estimate as to what the design phase will cost.

Mr. Ludwig stated it would be 7-10% of the total amount most likely.

Mr. Sherman replied that is about \$200,000 maximum.

Chairman Thibault asked, Randy could you explain a little better...it seems to me I heard you say something about the fact that the City was going to use part of that building. Can you explain that a little bit so the Committee will understand?

Mr. Sherman replied it is a two-story structure. The top story will be the restaurant. The lower story will contain storage for the restaurant. It will also include the pro shop and Parks administration. Parks administration administers both the Enterprise fund and the non-Enterprise Parks so when you start talking about Livingston, that is not Enterprise. When you talk about Gill Stadium, that is Enterprise. Ron actually takes his time and charges it to both sides of the equation. Because the general fund is technically part of that operation, there is a charge that needs to be made back from the Enterprise to the general fund for that. What we are trying to do is minimize what that cost is.

Chairman Thibault stated I thought I understood that but I just wanted to make sure that the rest of the Committee understood that.

Alderman Garrity stated I want to get into the number for the design phase. Is it \$220,000?

Mr. Ludwig replied I would use 10%, which would be \$220,000.

Alderman Garrity asked, Randy, would the City be responsible for the entire \$220,000. I can see in the proposed funding that the general fund is only being charged \$500,000 for the project.

Mr. Sherman answered if the management team walks away, the City would be responsible for that whole \$220,000 but again if they walk away that doesn't mean that you don't proceed with the project. You may still want to proceed with the project. You may want to try and find another management team or at that point maybe you design something smaller just for administration. The structure that they are in now...you have so many life safety issues. It is deteriorated. It needs renovations. The Fire Department has been through there. It is pretty much a nightmare and they need a new administration office. You have to do something there anyway. Now do you have to house them there? Absolutely not. You can put them almost anywhere in the City.

Chairman Thibault stated but we are saying at that point it would come back to the Board before a decision is made correct.

Mr. Sherman replied absolutely.

Alderman Garrity asked regarding the \$220,000 for the design phase, what is the impact on the general fund. Are there going to be any Enterprise funds used in that?

Mr. Sherman answered that would be all Enterprise funds.

Alderman Garrity asked so there would be no impact on the general fund for the design phase.

Mr. Sherman answered correct. The Enterprise fund is going to design and build this building and theoretically own the building.

Alderman Garrity asked so the \$220,000 is not going to come out of the general fund.

Mr. Sherman answered that is right and if you wanted to actually take Parks administration and put them elsewhere and take that extra space on the bottom floor and rent it to a day spa or something, the general fund wouldn't have any cost there. You have options to minimize the general fund impact.

Alderman Gatsas stated Randy you said that if the design of the building exceeds the \$2.2 million and the developers don't want to do the deal they can walk away.

Mr. Sherman replied right they can walk away at that point.

Alderman Gatsas asked are they willing to relinquish the lease that they have now for a walk away clause.

Mr. Sherman answered I think in essence what you have is the other lease is still in place. Wait, Walter, do you want to correct me on that?

Mr. McCabe stated I think it was contemplated that if we aren't able to reach terms and that is something that we went through a process for and we can let the two restaurant owners speak to it, and they do not want to come up with the money and it is more than \$2.2 million then the arrangement was sort of over at that point because the City could still proceed with demolishing the old building and doing something different with a new golf course arrangement.

Mr. Sherman stated but the lease on the old building would still remain because we haven't demolished it yet. We always have had the right to demolish that building and cancel that lease anyway, however, they have assets in there and we would obviously have to have a termination payment on that lease.

Alderman Gatsas asked so the City is not at risk if they want to demolish the building and tell them that their lease is gone.

Mr. Sherman answered you are at risk for the remainder of their lease and the capital improvements that they have in that building.

Alderman Gatsas asked can you explain that to me again. If tomorrow the City says we want to build a \$5 million structure there we can...forget about that. Let's assume we want to take that structure over, terminate their lease and build just a pro shop. We have the ability to terminate their lease and build another building?

Mr. Sherman answered the Solicitor is here and I will turn it over to him but my understanding is that you could effectively condemn that lease but you have a pay off. They have 19 years left on that...

Alderman Gatsas interjected so what you are saying is we have to buy them out of their lease.

Mr. Sherman replied right you would have to buy them out.

Alderman Gatsas stated that terminology is a little different than...

Mr. Sherman interjected I am sorry. You would have to buy them out plus part of their agreement was that they would do capital improvements to the structure so you would have those costs as well.

Alderman Gatsas asked if it is a 19-year lease, let's use 20 at \$24,000 a year, if it is \$456,000 what would it cost the City to buy them out. The full amount? Probably.

Mr. Sherman asked where is the \$24,000 coming from.

Alderman Gatsas asked what is the monthly payment, \$2,000 a month.

Mr. Sherman answered that I what they are paying us but that is not their income. That is not what the lease is worth to them.

Alderman Gatsas stated I am just saying to you that the minimum we can get out of would be \$450,000 if we just bought the lease out at its face value and not what the business would be worth or what the lease is worth to the business.

Mr. Sherman replied that is what the lease is worth to the City. What the lease is worth to them, I have no idea.

Alderman Gatsas stated right but at \$2,000/month for a business that is generating \$1.5 million it certainly is worth more than \$2,000/month.

Mr. Sherman replied well I would think it is.

Alderman Gatsas stated so let's assume...give me a number. Usually you are talking 1 times the gross of what the sale of the restaurant would be?

Mr. Sherman responded I couldn't tell you what restaurant businesses do. I wouldn't even want to guess and I am not sure they would want to make it public either. You are right. You would have to buy them out of the remainder of the lease and that is obviously a negotiated item, and their capital investment.

Alderman Gatsas asked wouldn't you say that is a very favorable lease.

Mr. Sherman asked the current one.

Alderman Gatsas answered the current one.

Mr. Sherman replied yes.

Alderman Gatsas asked so the cost to the City if we wanted to just tell them to leave and buy them out could cost us in excess of \$500,000.

Mr. Sherman answered I would think certainly in excess of that.

Alderman Gatsas asked so anything over \$500,000 the City is at risk for.

Mr. McCabe stated if we go through the process and the cost of the new facility is going to be more than \$2.2 million and the restaurant owners do not want to kick in that extra cost and the City is not prepared to put anymore money up they have the right to walk away. At that point, their lease arrangement is over if we choose to proceed and demolish the building. If you want to wipe out their lease on any other terms it would be the same as any taking. That is when you would have to pay them in connection with the other arrangement but if they don't want to put the extra \$1 million in and the City says fine then we are not going to proceed with the arrangement and ultimately decides to do it on their own or with another management company then their lease arrangement is over.

Alderman Gatsas asked how many members do you now have at the club, Ron.

Mr. Ludwig answered I believe we hit 850 this year. That includes juniors and seniors. That is the total.

Alderman Gatsas asked what is the high then. Is that the high?

Mr. Ludwig answered one year I think we exceeded 1,000.

Alderman Gatsas asked what is the capacity.

Mr. Ludwig replied that is difficult to answer. It is probably somewhere around...what a golf course would like to see in members and Derryfield is a different animal but typically you would like to see a membership not exceed 350 or 400 because then you start to displace daily permit people. The City's mission statement with this golf course is to allow as many people as we can at an affordable rate and that is what we continue to do. So we have honored, even in years when we exceeded 1,000, everyone's ability to pay and join.

Alderman Gatsas asked in your professional opinion do you think that the Enterprise fund would receive more revenue because of a newer facility.

Mr. Ludwig asked from golf.

Alderman Gatsas answered yes.

Mr. Ludwig stated not necessarily from golf.

Alderman Gatsas asked from what else.

Mr. Ludwig replied I think there is light at the end of the tunnel with this arrangement in that it gets us out from under some significant investment in the current facility to bring it up to code, which the City is going to be faced with at some point. Tomorrow? No. Next week? No, but certainly down the road as you look at some of the photos. Those weren't mocked photos; those are the real animal. We can't even put a new outlet in our office. We can't put an outlet in the building to put a Coke machine outside. So, the City is going to be faced at some point with taking a serious look at this building. How do I feel about it? I feel that we are bringing an issue to the Board and saying we have a problem with this building and help us find the best way to do away with that problem. I think down the road this makes good economic sense. We are trying to improve the golf course. Certainly when you fly people into Manchester you want to bring them to a country club I unfortunately don't think we have that facility right now. It has been our mission and our goal to bring the golf course as I alluded to in my opening remarks, up to speed and not let it slide into a state of disrepair, which it was 10 or so years ago. The country club, the pro shop and the rest of the facility goes along with that. The sense of arrival at Derryfield in itself and the parking facility is just atrocious and I guess that is all I can say. To answer your question, we can't get anymore people, Alderman Gatsas, on the golf course so to be truthful with you I don't think it would have a significant impact on golf course revenues.

Alderman Gatsas asked how many square feet will Parks & Recreation be occupying.

Mr. Ludwig answered I believe in the basement we get around 4,000 to 4,500 square feet.

Alderman Gatsas asked, Randy what would you say that in that same basement space...is that worth \$10/foot. Is it worth \$7? If he had to go out and find that in an open market in a basement is it \$7/foot or \$8/foot or \$10/foot?

Mr. Sherman answered I would say it is probably on the lower end. \$7 or \$8 maybe.

Alderman Gatsas stated so if we are using 4,500 square feet and we say \$7/square foot, that is about \$31,000 a year. You said that the risk of the general fund vis a vis Enterprise fund because it goes from one pocket to the other was about

\$30,000. So, if we assume that Parks & Recreation would have to somewhere either build a new building to accommodate the 4,500 square feet, which is an additional cost, or they would have to find space to rent to accomplish what they are looking for we would have to put them in another City building somewhere and I don't know if we have got any space but we are talking about \$31,000. So basically we are looking at a total wash on the transaction if you figured that in because it has to be figured somewhere. Debt service on \$450,000 if they had to build a new building of 4,500 square feet at \$100/square foot has to be somewhere around \$38,000 a year.

Mr. Sherman replied yes.

Chairman Thibault asked, Ron if in fact that building through the City was asked to come up to code today what would it cost to do that.

Mr. Ludwig answered again I would go back to a remark that I made earlier. I would say it would easily exceed \$1 million.

Chairman Thibault stated I think we have to take that into consideration when we are looking at this here. The other thing that I am looking at is this gentleman right here talked about the deed before and I was interested in knowing how you brought this up. Let's say this is going to cost more money than we have allocated and the restaurant people do not want to...if I understood you right, do not want to come up with the extra money that may be needed what happens then? I wasn't sure that I got that 100%.

Mr. McCabe replied if the City chooses to proceed, which would involve demolition of the old project, then we would be able to proceed and their lease would terminate. If we don't proceed with the demolition of the old for a new then the old lease would continue in effect. So there are those two variables.

Chairman Thibault asked at what point would we, the City, be able to get out of there if, in fact, the new managers or whatever did not want to comply with that. At what point?

Mr. McCabe answered if effectively sometime during the design period but towards the end of it when the cost is known, if it exceeds \$2.2 million and the City doesn't want to put up additional funds and the restaurant owners don't want to put up the additional funds, then the restaurant owners can choose to back out. At that point, if the City chooses to proceed and demolish the old building and build a new one remembering that you are going to be putting up the \$2.2 million...

Chairman Thibault interjected could the City back out at that point.

Mr. McCabe stated if the restaurant owners choose to put up the difference the City cannot back out.

Alderman DeVries stated I would like to refer to Exhibit B, which is the share of revenues. There are several break points in the revenue projections where the percentage of profit share increases. I am looking for some background as to how you determine those break points. Is that based on past audits or information historically from the current lease?

Mr. Sherman asked as far as the additional revenues. What we tried to do is we looked at what the debt service payments were going to be and then what we tried to do is get the amount that was actually being paid to the City up to a certain percentage of the revenues.

Alderman DeVries asked currently.

Mr. Sherman answered no. Up to what we believe were market rates. If a restaurant was going to walk into the Millyard and open up a restaurant, what they would have to pay as a percentage of their revenues to get that rental. We knew that we were getting all of the new construction and we knew that was our base so based on that we added these amounts in to come up to a percentage range. Now obviously if you are at the low end it is a different percentage then if you are at the high end but it gave us a range.

Alderman DeVries replied I guess my question would be for Ron Ludwig. The past audit that shows where the level of performance is currently at for the manager...we just didn't get any historical background on this to let us know how they have performed over the past five or ten years. I read in the new lease that there are actually audits performed so I assume that currently in the lease agreement you have audits that are being performed so you can tell us historically where they have been laying. What are their gross revenue projections?

Mr. Ludwig responded they do supply us with that information. I am not an accountant...

Alderman DeVries interjected I am asking you for that information. Where is it?

Mr. Ludwig stated there are different types of audits. In other words we don't go in and check every one of their receipts which would be a...

Mr. Sherman interjected I think what you are saying is that you get their statements and you review them.

Alderman DeVries stated within the lease it says there are the gross revenues that the City potentially shares in so I am asking what are the current gross revenues.

Mr. Ludwig replied we know what his current gross revenues are. He has to supply us with those figures. In fact this year he has exceeded that amount a little and we have asked him under the current agreement to pay us some additional revenue as well. We know those figures are accurate.

Alderman DeVries stated that is information that I would need in order to judge whether this agreement is favorable for the City. We are looking at gross revenues and the percentage of profits for the City based on that. How can I do that without seeing how they stand today? If we are basing that on a Millyard restaurant, that could be pie in the sky.

Mr. Ludwig responded those projections that you are looking at were not done by anyone at this table. Those were done by the owner, I believe, however the figure that he uses, the \$1.3 million, is the proper number and the rest of the numbers were based on that going forward.

Alderman DeVries asked could you say that again. What is the proper number?

Mr. Ludwig stated the number that he used as it relates to his revenues now is an accurate number. That we can verify.

Alderman DeVries asked and you can also give me prior years so we can get an idea of how the performance has gone and the increases.

Mr. Ludwig answered yes we could do that.

Alderman DeVries stated that would be helpful for me to see each year what the actual gross revenue was increasing by. I think one other concern I had was there doesn't appear to be anything built in to that exhibit that would behoove the manager to make sure those numbers are appropriate. I guess specifically I am saying if he was able to profit at a higher level with a higher number the incentive might be there to have it be a true and accurate representation. I am not saying that it currently isn't but I think you started your explanation saying that there are several types of audits and information and you don't verify all receipts.

Mr. Ludwig replied I think the type of audit you are speaking to is very expensive for one thing and that is why it was never built into the last agreement. It was a

review. It is based on New Hampshire Rooms & Meals tax to verify and things like that. We can ask for those kinds of things but to answer your question, no we cannot go in and actually conduct an in-house audit of receipts and such.

Alderman DeVries asked and this new lease calls for that and if there is a margin of error because hasn't it been quite awhile since that was done.

Mr. Sherman answered correct me if I am wrong, Ron, but you don't get a percentage of the revenues now.

Mr. Ludwig replied yes we do.

Mr. Sherman asked you do get a flat percentage.

Mr. Ludwig answered yes if he exceeds a certain number.

Alderman DeVries asked and do you know the last time you actually had an audit done on that.

Mr. Ludwig replied no.

Alderman DeVries asked the lease they are currently operating under is how old. What year did that start?

Mr. Ludwig answered 1994.

Alderman Garrity asked what were your revenues for greens fees and memberships in the pro shop last year.

Mr. Ludwig answered I don't have that answer for you right now.

Alderman Garrity stated we are talking about a new golf course and you don't have those numbers.

Mr. Ludwig replied not off the tip of my tongue. I can get them for you. It is not an issue.

Alderman Garrity asked can I get those numbers.

Mr. Ludwig replied sure.

Alderman DeVries stated if we are talking about getting additional information so we can make a decision later I have several other items that I would like to see

addressed. I looked at the liability insurance and it looked like it was breaking at \$1 million/\$3 million aggregate. That just didn't really ring to a whole lot of money and I wonder if that had been reviewed by the City Solicitor.

Mr. Sherman replied yes the Risk Manager gave us those numbers.

Alderman DeVries stated okay. It is just less than what I hold myself so I guess maybe I am paying too much for insurance.

Alderman Garrity asked, Randy do you have an estimation of what the numbers might be that I just asked for.

Mr. Sherman answered if I was to guess at the total revenues coming from the golf course I would say it is probably close to \$500,000. It is in that range.

Alderman Garrity asked does that include the pro shop or is that operated separately.

Mr. Ludwig answered the pro shop is a sub-contract.

Alderman Garrity asked are they a lessee.

Mr. Ludwig answered he has a three year agreement with us. In fact, it is coming up and the way it is structured is basically he pays all his own pro shop personnel. Basically what we give them is cart revenue or golf cart revenue and he takes care of all City business. He collects greens fees, sells permits, monitors member tournaments, puts starters on the tee and rangers on the golf course - all within that number.

Alderman DeVries stated on Item 4B it talks about the escrow that is put aside to assure performance being one month. I guess my concern is where they have 90 days plus the end of the calendar year to provide figures, is a one month performance bond sufficient or is that covered by the 5% late charge fee plus interest that is noted at the end of the lease agreement if they are late on their payments?

Mr. Sherman replied we were looking for the one month...this is just on the minimum. This is on the debt service payments. You are right. Once we don't have that then we start implementing the late fees but at least we have that one-month to make the debt service payments.

Alderman DeVries stated but I thought they didn't have to provide that information. It says in the paragraph above "the percentage share of the revenue

paid by the manager to the owner” was 90 days after the end of each calendar year.

Mr. Sherman replied right. That is on the percentage so that is the additional revenues. This paragraph 4B is dealing with the payment that they are really making against the debt service. They will be paying that monthly. So they are going to be paying the same amount monthly.

Alderman DeVries asked that becomes due each month and thus one-month past that is when that 5% penalty clause kicks in.

Mr. Sherman answered yes.

Alderman DeVries stated thank you for the clarification.

Chairman Thibault stated seeing that we don't have much time left before the next meeting, does anyone want to make a motion to table this or do you want to pass it.

Alderman Pinard moved to go forward with the project and approve the management agreement. Alderman Gatsas duly seconded the motion.

Alderman Gatsas asked the recommendation of the Committee is it is going to CIP correct.

Mr. Sherman replied that is correct. It will go back to CIP.

Alderman Garrity asked is the motion to refer it to CIP for the design phase, which comes out of Enterprise funds or is it to move the whole project.

Alderman Pinard stated it is to go forward with the whole project.

Alderman Gatsas stated hold on. Our obligation here is to look at the management agreement.

Deputy Clerk Johnson asked can I clarify. If I understand what Alderman Pinard is moving on it would be to recommend that the management agreement go forward as it has been presented and Alderman Gatsas seconded that and that recommendation is going to the CIP Committee.

Alderman Garrity asked so when it moves to CIP that is where the funding is going to be approved.

Deputy Clerk Johnson answered CIP would then come out with whatever recommendation they make.

Alderman DeVries stated I do favor this. Something does need to be done for that building but unfortunately I am not comfortable without seeing the past audit reports or indications of past revenue to know if, in fact, these projections are truthful or accurate.

Chairman Thibault asked can't we make comments when it goes back to CIP.

Alderman DeVries replied unfortunately I don't sit on CIP and by then we will have approved this lease.

Mr. Sherman responded it will still come back to the full Board.

Chairman Thibault stated we have only approved it according to the lease agreement.

Deputy Clerk Johnson requested that the information being requested be forwarded to all members of the Board, including the CIP Committee and we will just put it as part of the document.

Chairman Thibault called for a vote on the motion. There being none opposed, the motion carried.

Chairman Thibault addressed Item 4 of the agenda:

Communication from Steven P. Morin, City Communications
Superintendent, relative to a revised Derryfield Park Tower lease agreement
between the City and Verizon Wireless.

On motion of Alderman Garrity, duly seconded by Alderman Pinard, it was voted to table this item.

TABLED ITEM

5. Communication from DASS Development requesting to acquire land beneath the Pearl Street School.
(Note: Report from Planning attached.)

This item remained on the table.

There being no further business, on motion of Alderman Garrity, duly seconded by Alderman Pinard, it was voted to adjourn.

A True Record. Attest.

Clerk of Committee